

Message Text

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ACTION STR-07

INFO OCT-01 ARA-10 EUR-12 EA-10 IO-13 ISO-00 STRE-00

AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00 EB-08

FRB-03 H-01 INR-10 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-01 CTME-00 AID-05 SS-15 ITC-01 TRSE-00

ICA-11 SP-02 SOE-02 OMB-01 DOE-15 AF-10 NEA-11

OIC-02 /169 W

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P 231905Z JUN 78

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 1299

INFO AMEMBASSY BRASILIA

AMEMBASSY BRUSSELS

AMEMBASSY PARIS

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

AMEMBASSY TOKYO

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USMTN USEEC

ACTION STR FOR GREENWALD, LANDE, FEKETEKUTY, FLAIG

STR PASS CODEL

E.O. 11652, N/A

TAGS: ETRD, MTN, BR

SUBJECT: FRAMEWORK - 7-PLUS-7 SESSION ON BALANCE-OF-
PAYMENTS AND DEVELOPMENT SAFEGUARDS, 6/20/78

REF: (A) GENEVA 8818, (B) GENEVA 6494 (NOTAL)

1. SUMMARY. GATT SECRETARIAT HAS PRODUCED "COMPROMISE
TEXTS" ON B/P AND DEVELOPMENT SAFEGUARDS. WHILE EC
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AND JAPAN CONTINUE TO RESIST ON KEY POINTS, AND SEVERAL
LDCS RENEWED EARLIER EXTREMISM, DRAFT B/P "DECLARATION"
SUPPORTED AS WORKING BASIS BY OTHER DCS PLUS BRAZIL AND
ARGENTINA. TACTICAL SITUATION MORE COMPLICATED, HOWEVER,
IN CASE OF SECRETARIAT DRAFT ON DEVELOPMENT ("INFANT-
INDUSTRY") SAFEGUARDS, WHICH IN SOME RESPECTS GOES BEYOND
EVEN PROPOSALS MADE BY LDCS. END SUMMARY.

2. GATT DG LONG CONVENED EXPANDED 7-PLUS-7 GROUP JUNE 20 FOR DISCUSSION OF SECRETARIAT'S RECENTLY-DISTRIBUTED "COMPROMISE" TEXTS ON TRADE MEASURES FOR BALANCE OF PAYMENTS PURPOSES (MTN/INF/25) AND ON SAFEGUARD ACTION FOR DEVELOPMENT PURPOSES (MTN/INF/24). PRESENT WERE SOME 25 DC AND LDC DELS. FYI: LONG HAD DISCLOSED SECRETARIAT'S PLANS TO SYNTHESIZE U.S. AND BRAZILIAN PAPERS ON SUBJECTS (MTN/INF/19 AND INF/16, RESPECTIVELY--SEE PARA. 3 REF. A) TO INFORMAL GROUP OF 12 DCS AND LDCS JUNE 13. MTN DEL HAD REMINDED GROUP AT THE TIME THAT U.S. PAPER CIRCULATED MAY 24 WAS PRODUCT OF SEVERAL MONTHS' CONSULTATIONS WITH DC AND LDC DELS, AND COMPLAINED THAT SECRETARIAT EFFORT TO BLEND IT WITH BRAZILIAN PAPER OF FOUR MONTHS BEFORE WOULD COMPLICATE (AND POSSIBLY UNRAVEL) NEGOTIATING PROCESS. U.S. AND OTHER DCS ALSO REPEATED EARLIER OBJECTIONS TO WIDE-OPEN REVISION OF GATT ART. XVIII:A AND C "DEVELOPMENT SAFEGUARDS" AS PROPOSED BY BRAZIL (SEE REF. B). DG NEVERTHELESS PROCEEDED TO HAVE TWO SECRETARIAT TEXTS CIRCULATED IN INF SERIES JUNE 15. COPIES HAND-CARRIED TO WASHINGTON FOLLOWING DAY BY GREENWALD, STR. END FYI.

3. SECRETARIAT STAFF (ROESSLER) INTRODUCED DRAFT DECLARATION SET OUT IN INF/25 AS INTENDED TO CODIFY EXISTING PRACTICES IN B/P AREA, TO CAST INTO LEGAL LIMITED OFFICIAL USE

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LANGUAGE DELS' EARLIER SUGGESTIONS "AND TO OFFER COMPROMISE SOLUTIONS WHERE THOSE SUGGESTIONS DIVERGED." DECLARATION INCORPORATES (A) PREAMBLE STATEMENT THAT TRADE MEASURES GENERALLY INAPPROPRIATE AS RESPONSE TO PAYMENTS DISEQUILIBRIA; (B) CONSEQUENT POLITICAL COMMITMENT BY DCS TO AVOID RESORT TO SUCH MEASURES; (C) "STANDING WAIVER" WITH FIXED CONDITIONS FOR LESS-DISTORTING MEASURES--I.E., SURCHARGES AND PRIOR DEPOSITS--WHEN B/P ACTION UNAVOIDABLE; AND (D) AGREEMENT ON PROCEDURAL ISSUES. ACCORDING TO SECRETARIAT, FORMULATION IN INF/25 WOULD PRECLUDE NEED FOR FORMAL GATT AMENDMENT, SINCE POWERS TO MAKE POLITICAL DECLARATIONS OF INTENT, TO GRANT WAIVERS AND TO AGREE TO PROCEDURAL ARRANGEMENTS UNDER GATT ARE IN HANDS OF GOVERNMENTS' EXECUTIVE AUTHORITIES. B/P DECLARATION COULD THEREFORE BE ADOPTED, E.G., AT SESSION OF GATT CPS.

4. DELS' REACTIONS GUARDED BUT GENERALLY FAVORABLE--EXCEPT FOR RENEWED EXTREMISM ON PART OF SEVERAL LDCS. RE "BEST-EFFORTS PLEDGE" BY DCS TO AVOID B/P TRADE MEASURES, U.S. (MARK) NOTED SIMILARITY TO EXISTING PLEDGES ELSEWHERE--I.E., OECD AND IMF--AND STRESSED

NEED FOR ESTABLISHMENT OF SUCH A COMMITMENT IN GATT
CONTEXT. JAPAN (NOGAMI), SWITZERLAND (GERBER), ARGENTINA
(RAIMONDI), AND INDIA (KUMAR) URGED STRONGER WORDING OF
PLEDGE; EC (ADINOLFI) AND NORDICS (BIORN LIAN) SOUGHT
WEAKER FORMULATION. ON "LEGALIZATION" OF LESS-
DISTORTING MEASURES FOR B/P PURPOSES (A STANDING WAIVER
FOR SURCHARGES/DEPOSITS SUBJECT TO ART. XII-XVIII
CRITERIA AND PROCEDURES, CONTAINED IN PARA. 2 OF INF/25),
U.S. URGED DELETION OF PHRASE "OR IN ADDITION TO"--
WHICH COULD OPEN DOOR TO MULTIPLE MEASURES--BUT, TOGETHER
WITH CANADA (WEEKES), NORDICS, SWITZERLAND AND ARGENTINA,
SUPPORTED BASIC THRUST OF PARAGRAPH. EC AND JAPAN
CONTINUED TO RESIST SANCTIONING DC USE OF NON-QRS.
(CANADA DEL OFFERED USEFUL ANECDOTE RE ITS EXPERIENCE
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WITH B/P SURCHARGES IN 1960S, WHEN OTHER CPS ARGUED THAT NON-QUANTITATIVE MEASURES ILLEGAL UNDER GATT ART. XII BUT, WHEN CANADIANS "OFERED" TO CONVERT TO QRS FOR THOSE WHO SO WISHED, NONE STEPPED FORWARD.)

5. MOST LDC ATTENTION FOCUSSED ON SPECIAL-TREATMENT PROVISIONS OF INF/25. FORMULATION IN PARA. 4 ("DCS SHOULD EXEMPT LDCS FROM THEIR B/P MEASURES IF THEY CONSIDER FEASIBLE WITHOUT FRUSTRATING PURPOSE OF THE MEASURES") ROUNDLY CRITICIZED BY LDCS AS "NOT ENOUGH." U.S. URGED DELETION SINCE LDCS WOULD IN EFFECT BE SHELTERED "TO EXTENT FEASIBLE" FROM DC B/P ACTION VIA BASIC ABSTENTION PLEDGE IN INITIAL PARAGRAPH. U.S. AND CANADA ALSO PICKED UP ON POINT MADE BY BRAZIL (AMB. MACIEL) THAT EXEMPTION PROVISION COULD OPEN DOOR TO LIMITED OFFICIAL USE

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DISCRIMINATORY TREATMENT AMONG LDCS--ALTHOUGH BRAZIL PURSUED ARGUMENT IN OPPOSITE DIRECTION, CALLING FOR BLANKET EXEMPTION OF ALL LDCS--TO WHICH NIGERIA (ADEWAKUN) SAID DISTINCTION NEED BE MADE BETWEEN "CATEGORIES" OF LDCS, I.E., LEAST-DEVELOPED. PARA. 10 OF INF/25 (SETTING OUT CRITERIA FOR DECISIONS BY GATT BOP COMMITTEE WHETHER A GIVEN LDC TO FOLLOW FULL OR SIMPLIFIED CONSULTATION PROCEDURES WITHOUT INDICATING WHICH PROCEDURE TO BE "THE RULE") SUPPORTED GENERALLY BY U.S., EC AND BRAZIL AS POSSIBLE COMPROMISE OF OFTEN-CONTENTIOUS ISSUE. ONLY PAKISTAN (HAMID) OBJECTED OUTRIGHT, CLAIMING "ONEROUS" PROCEDURAL OBLIGATIONS, ACTUAL OR POTENTIAL, WOULD CONTINUE TO BURDEN LDCS WHO INVOKE GATT ART. XVIII:B WHILE "NO EVIDENCE YET THAT DCS WILLING TO ABIDE BY SIMILAR DISCIPLINES RE SAFEGUARD ACTIONS UNDER ART. XIX."

6. SECRETARIAT'S "DRAFT DECISION ON SAFEGUARD ACTION FOR DEVELOPMENT PURPOSES" (INF/24), WHICH WOULD SIGNIFICANTLY BROADEN BASIS FOR LDC USE OF GATT XVIII:A AND C PROVISIONS, WARMLY EMBRACED BY ENTIRE LDC CONTINGENT. U.S. FOUND DISTURBING BOTH CONTENT OF PAPER AND RECEPTION IT HAD RECEIVED, AND RE-STATED EARLIER OBJECTIONS THAT LDCS HAVE RARELY IF EVER RESORTED TO EXISTING PROCEDURES, LENIENT AS THEY ARE, AND SO HAVE FAILED TO MAKE PERSUASIVE CASE FOR THE SUBSTANTIAL LOOSENING PROPOSED BOTH IN INF/16 AND INF/24. OTHER DCS CONCURRED; NORDICS NOTED THAT SUCH A MOVE COULD CAST SERIOUS DOUBT ON VALUE OF LDC CONTRIBUTIONS IN OTHER MTN AREAS TO WHICH BRAZIL PROMPTLY RETORTED THAT DCS COULD NOT EXPECT MANY BOUND CONTRIBUTIONS AT ALL UNLESS LDCS HAVE FLEXIBILITY OF SECRETARIAT-TYPE PROPOSAL.

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7. DRAFTED BY MARK/ADDUCI MCDONALD

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Message Attributes

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